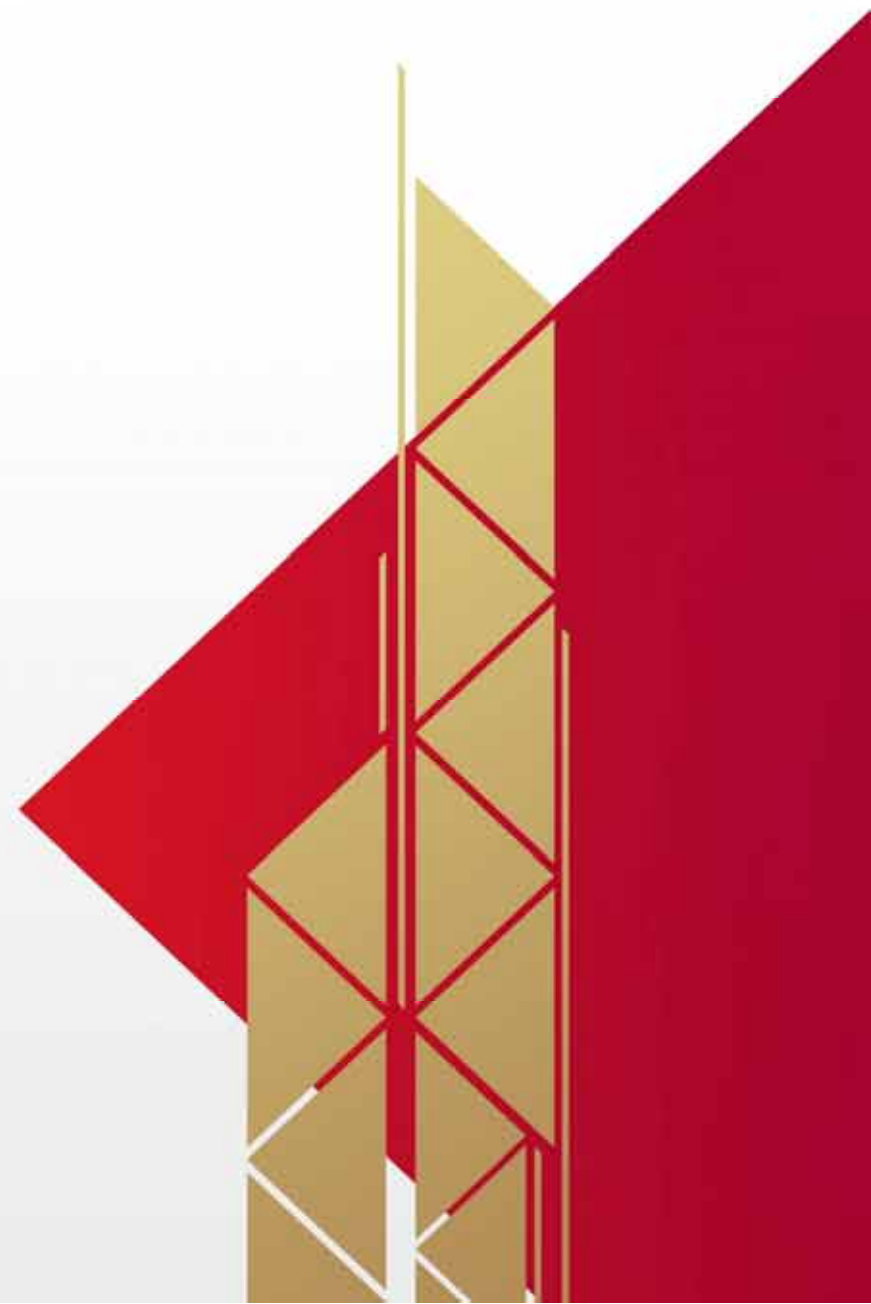




# 2018 Annual Results

29 March 2019



# Disclaimer and New Reporting Basis in this Presentation



## Disclaimer

This presentation and subsequent discussions may contain forward-looking statements that involve risks and uncertainties. These statements are generally indicated by the use of forward-looking terminology such as believe, expect, anticipate, estimate, plan, project, target, may or will, or may be expressed as being the results of actions that may or are expected to occur in the future. You should not place undue reliance on these forward-looking statements, which reflect our belief only as of the date of this presentation. These forward-looking statements are based on our own information and on information from other sources we believe to be reliable. Our actual results may be materially less favourable than those expressed or implied by these forward-looking statements which could depress the market price of our Level 1 ADSs and local shares.

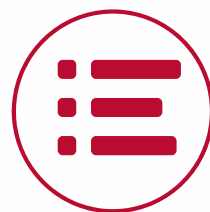


## New Reporting Basis in this Presentation

Following the completion of the acquisition of the Vietnam Business and Philippines Business of BOC on 29 January 2018, the Company has applied the merger accounting method in the preparation of financial statements for the combination of entities under common control. The comparative information for 2017 has been restated accordingly. During the reporting period, under aforesaid merger accounting method, Southeast Asian entities refer to BOC Thailand, BOC Malaysia, Ho Chi Minh City Branch, Manila Branch, Jakarta Branch, Phnom Penh Branch and Brunei Branch.

## Management Team

- **Mr GAO Yingxin** Vice Chairman & Chief Executive
- **Mdm WANG Qi** Deputy Chief Executive
- **Mr YUAN Shu** Deputy Chief Executive
- **Mr ZHONG Xiangqun** Chief Operating Officer
- **Mr WANG Bing** Deputy Chief Executive
- **Mdm SUI Yang** Chief Financial Officer
- **Mrs Ann KUNG** Deputy Chief Executive
- **Mr Stanley YUNG** Chief Credit Officer



# Agenda

**01**

2018 Strategy Review

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**02**

2018 Financial Performance

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**03**

2019 Outlook and Business Focus

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**04**

Appendix

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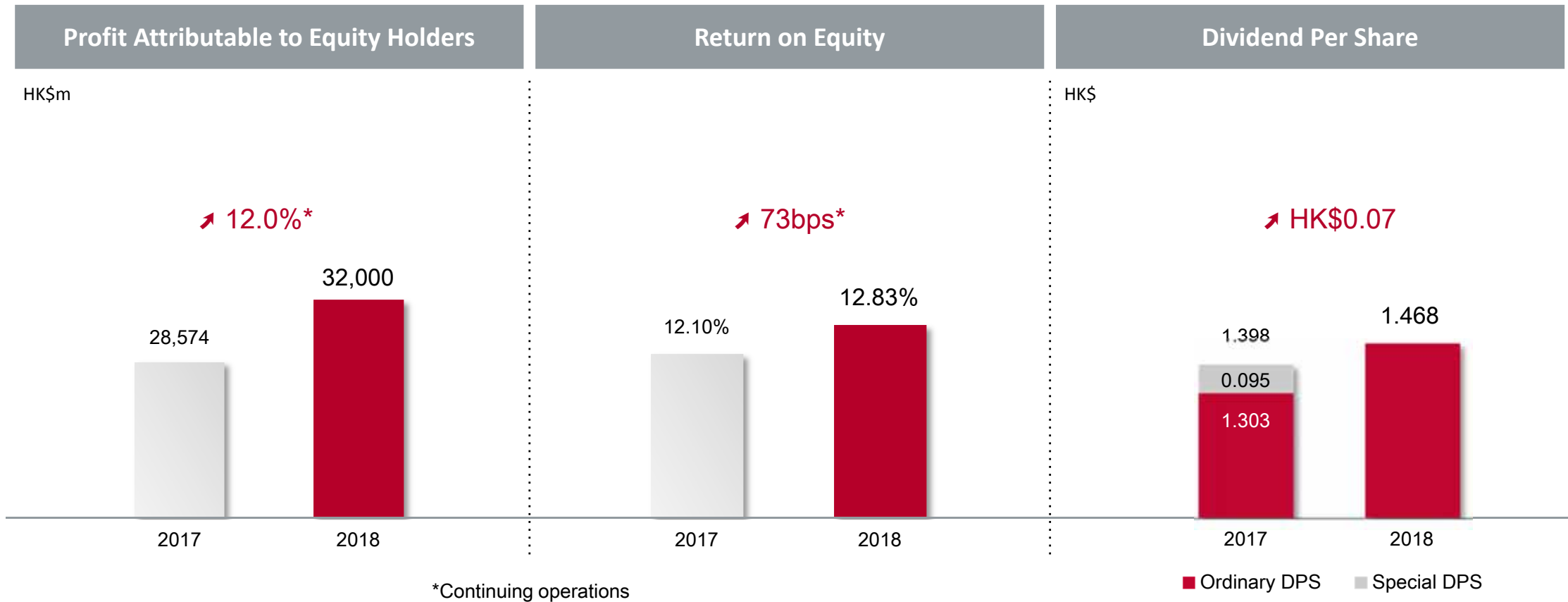


**2018**

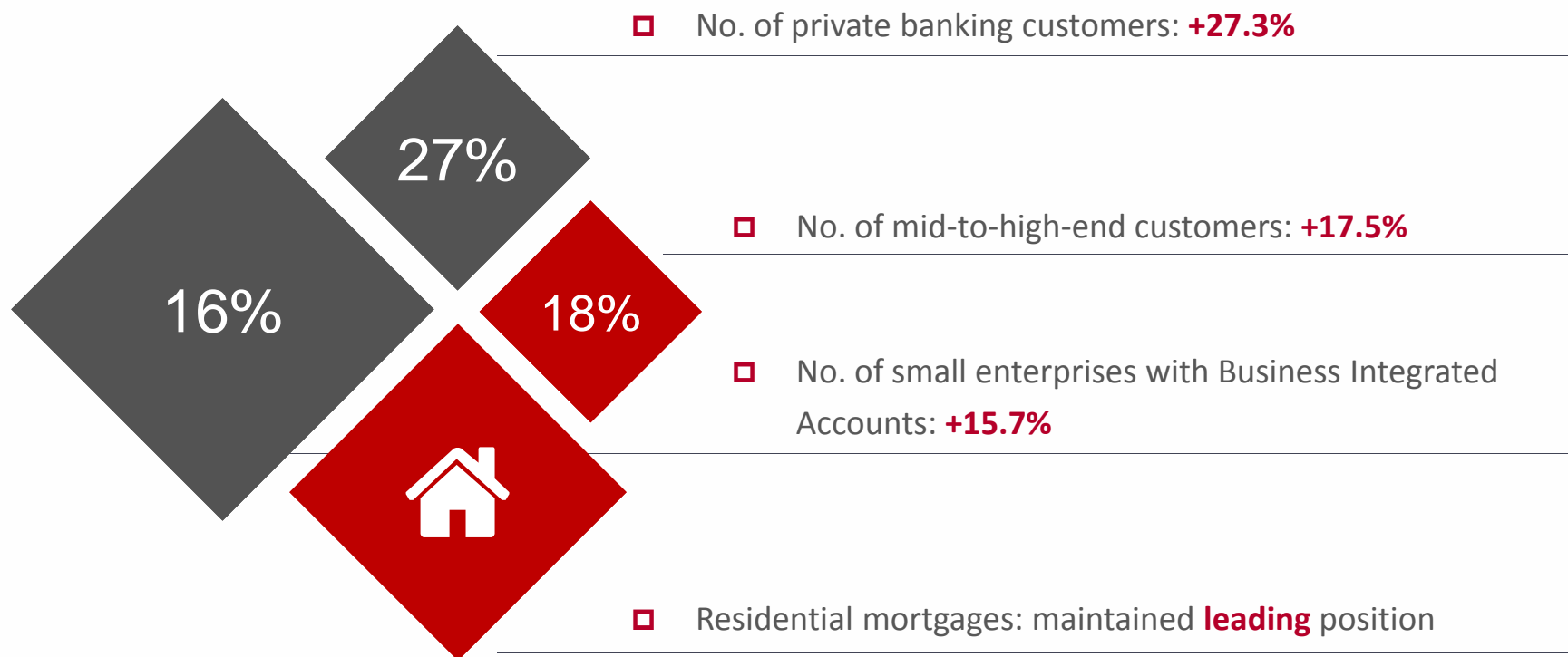
*Strategy Review*



# Pursuing Quality Development with Solid Financial Performance



# Sustaining Leadership through Deepened Local Market Commitment



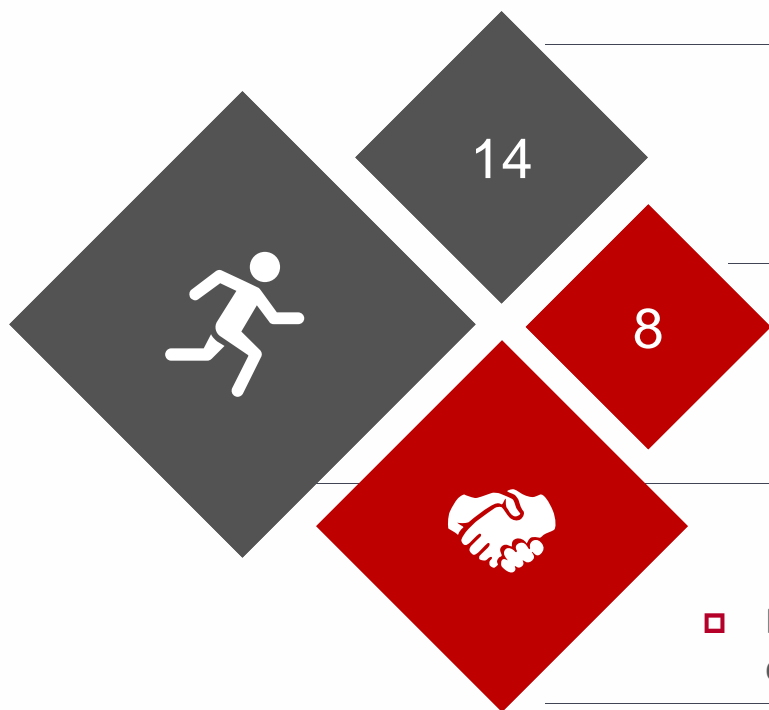
Personal Banking

Corporate Banking

Financial Markets

Comprehensive Services

# Sustaining Leadership through Deepened Local Market Commitment



□ Syndicated loans: top mandated arranger for **14th** consecutive year

□ IPO receiving bank business: ranked No. 1 for **8th** consecutive year

□ Cross-border cash pooling business: retained **leadership** in the market

□ FI business: **Strengthened** business relationships with major central banks, national treasuries and sovereign funds

Personal Banking

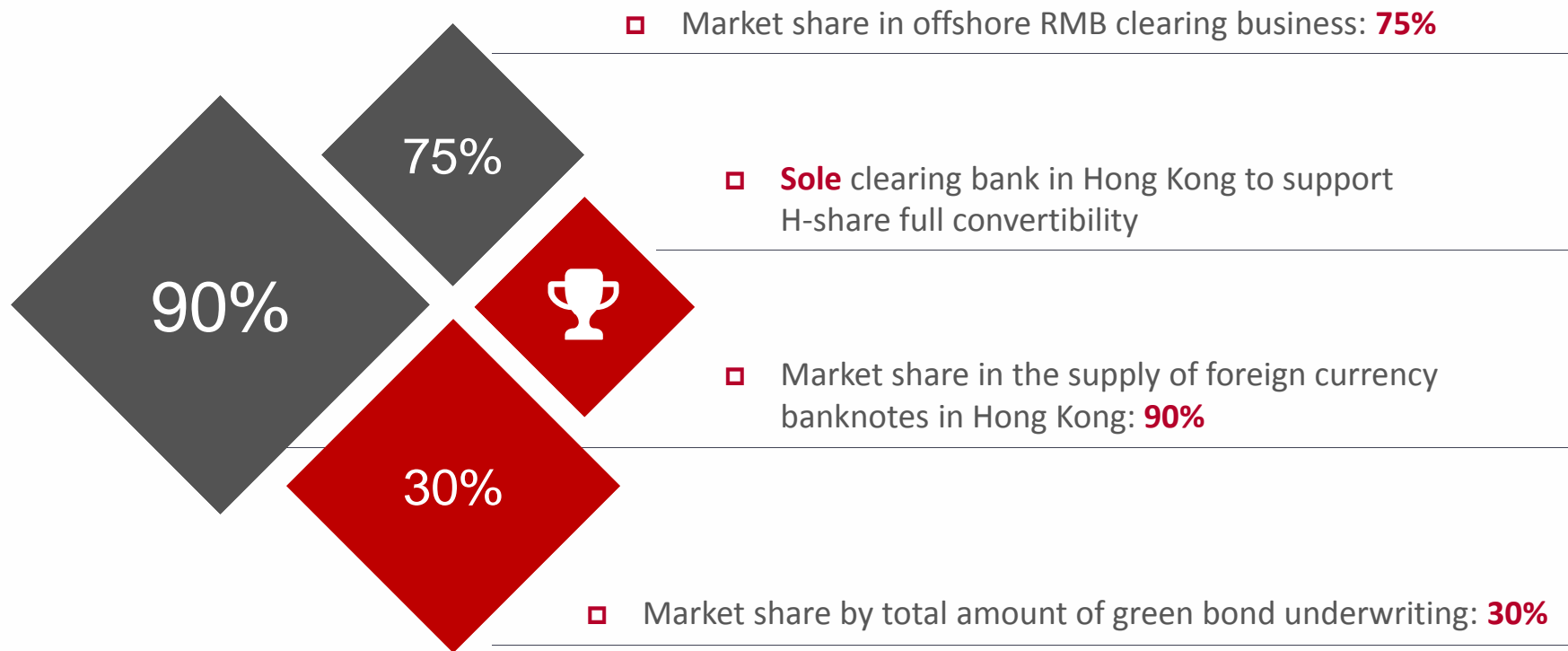
Corporate Banking

Financial Markets

Comprehensive Services



# Sustaining Leadership through Deepened Local Market Commitment



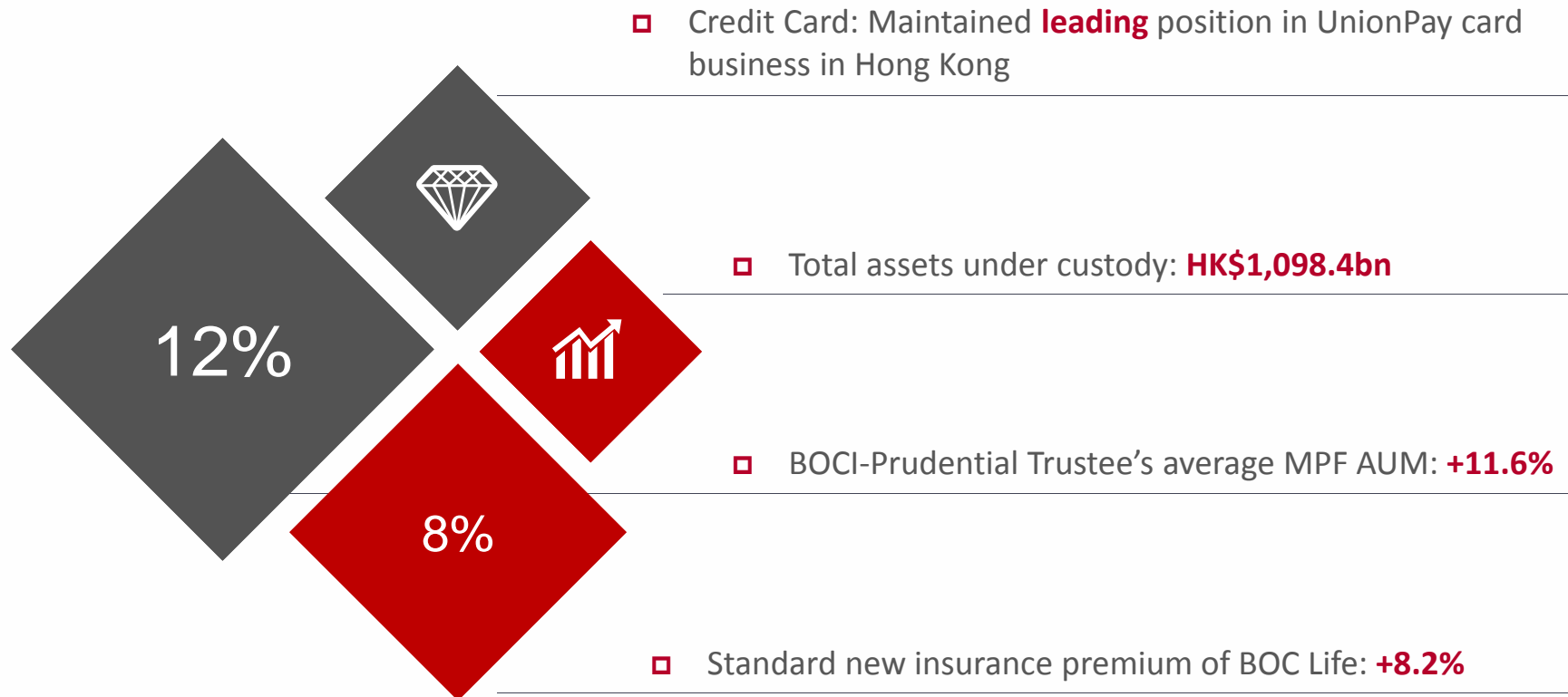
Personal Banking

Corporate Banking

**Financial Markets**

Comprehensive Services

# Sustaining Leadership through Deepened Local Market Commitment



- Personal Banking
- Corporate Banking
- Financial Markets
- Comprehensive Services**

**Services**

Supporting Hong Kong residents to **open bank accounts** of BOC mainland branches in Hong Kong

Offering **mutual service access** to customers in the Greater Bay Area under wealth management brand mutual recognition programme

**Payment**

BoC Pay personal **cross-border e-payment App**

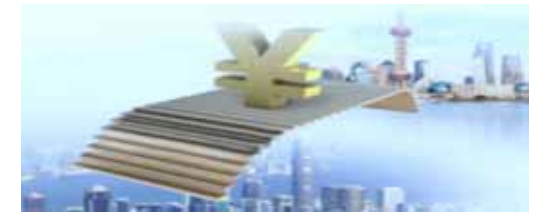
BoC Bill **integrated payment collection service**

BoC **Dual Currency Card**

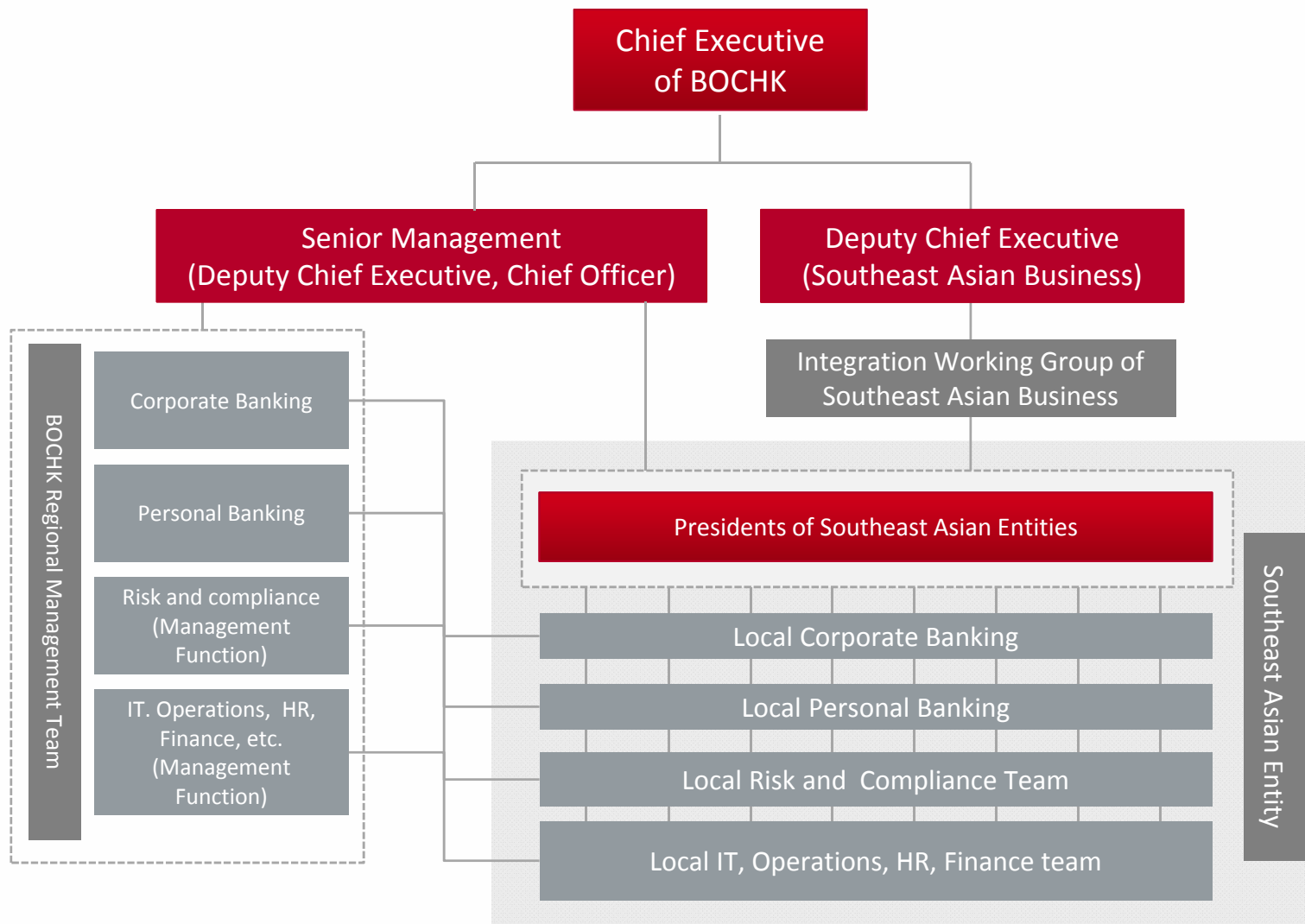
**Wealth Management**

BOCHK All Weather Greater Bay Area Strategy **Fund**

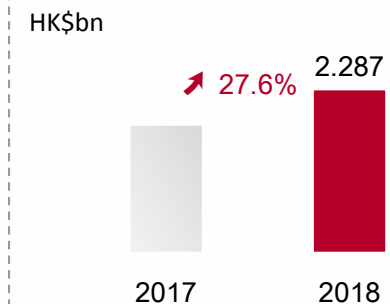
Greater Bay Area Personal Accident Comprehensive **Protection Plan**



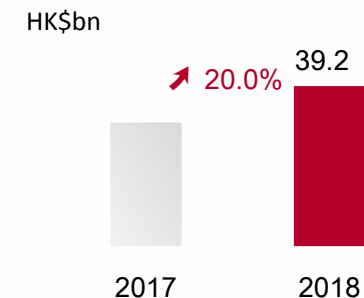
# Making Solid Progress in Regional Expansion with Notable Synergy Improvement



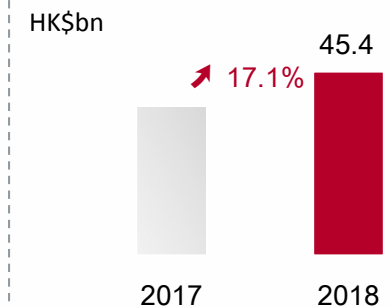
Net operating income before impairment allowances



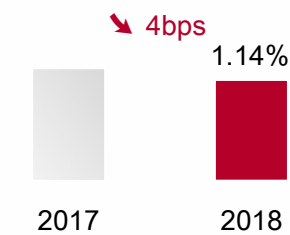
Advances to customers



Deposits from customers



Non-performing loan ratio

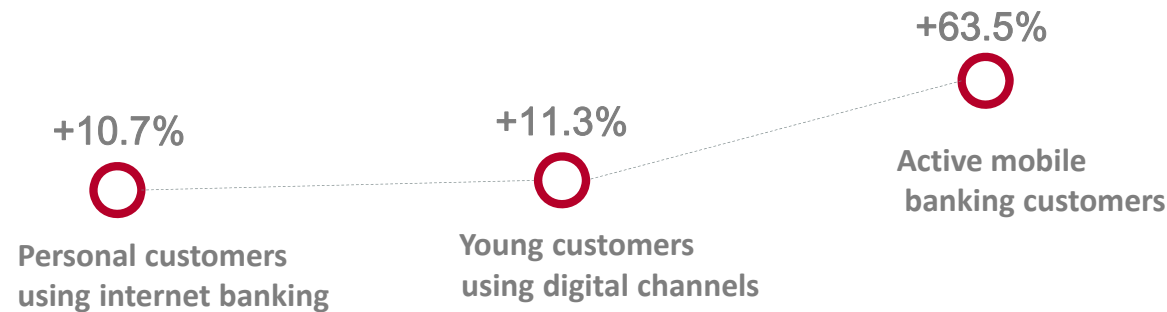


NB: Except for non-performing loan ratio which was calculated in accordance with local regulatory requirements, all other data were prepared in accordance with HKFRS.

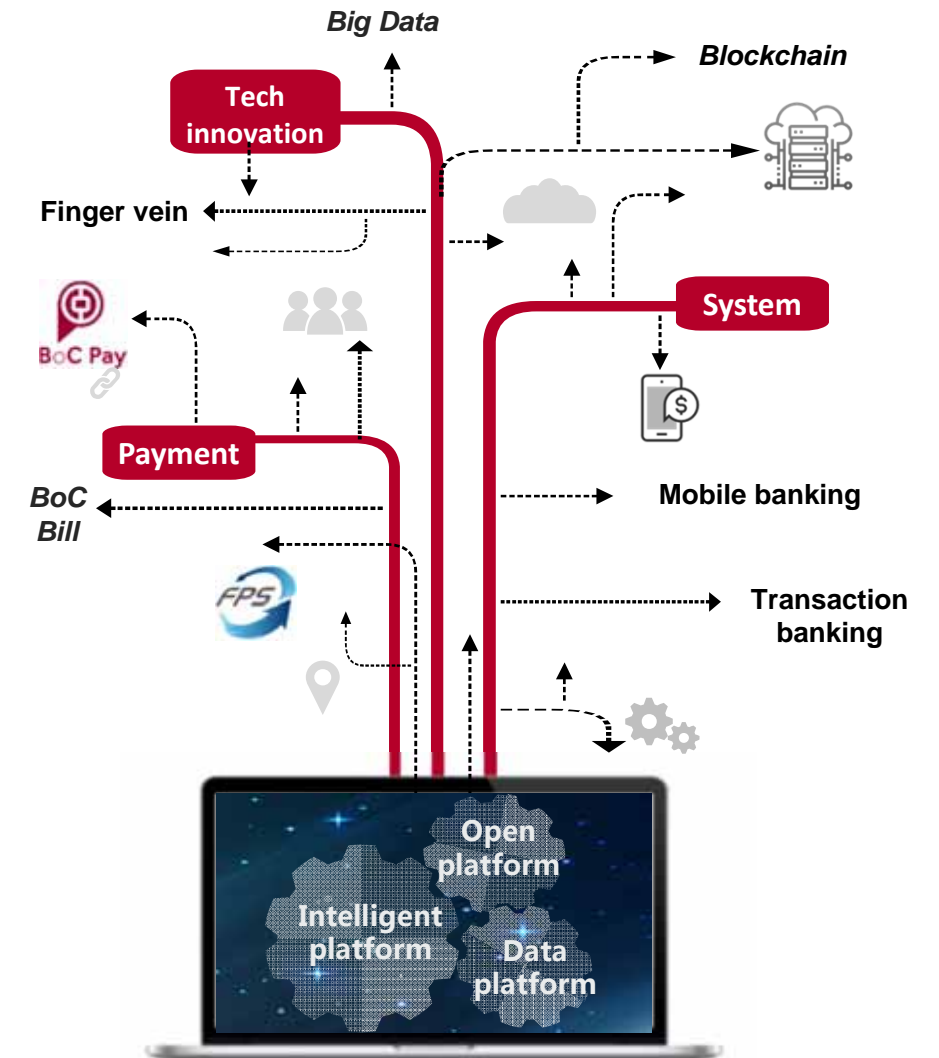
# Enhance Innovation Capacity with Effective Technology Innovation

**A Reshape development concepts based on customer-centric principle**  
Embarking on organisational reform and innovation mechanism optimisation

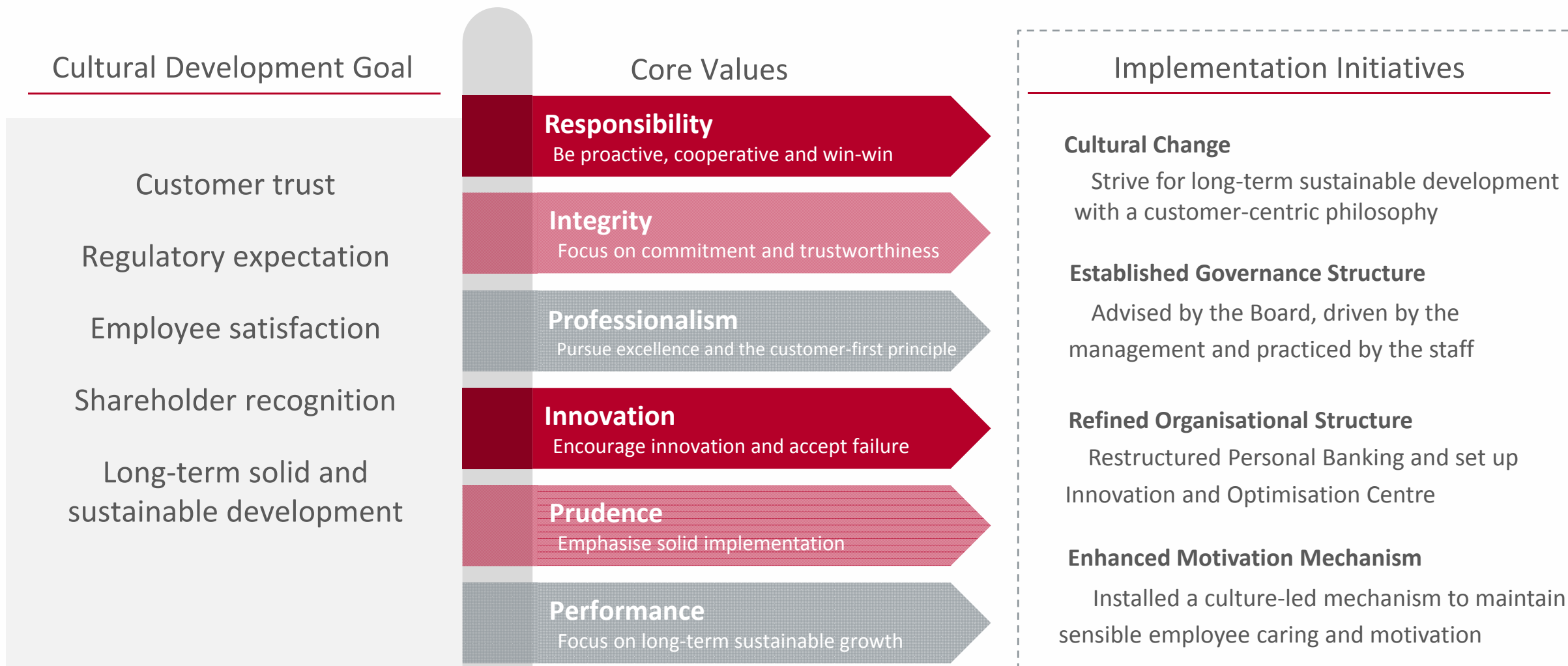
**B Employ technological innovation to promote customer experience**



**C Promote virtual banking by combining finance and technology**



# Pursuing Strict Compliance Standards and Stronger Bank Culture





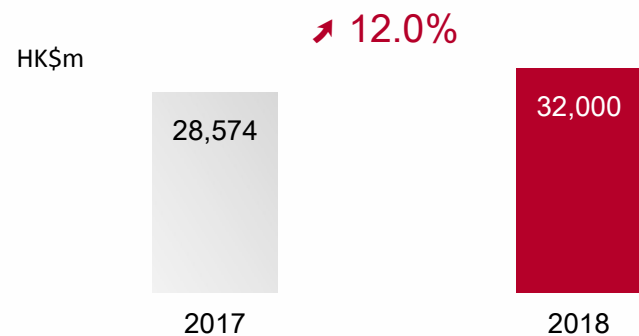
**2018**

*Financial Performance*

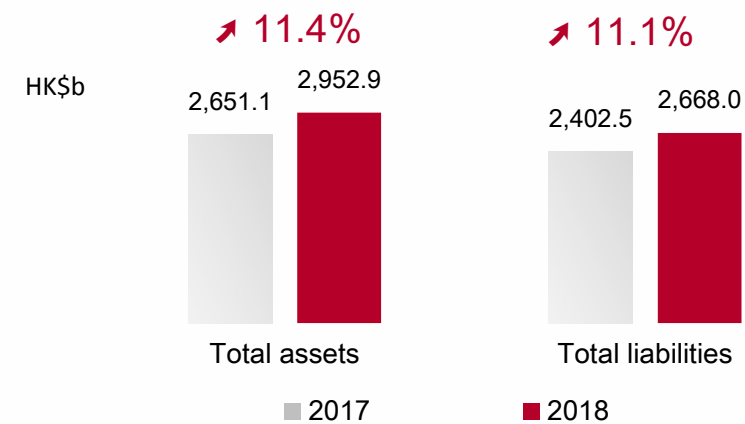


# Commendable Operating Performance

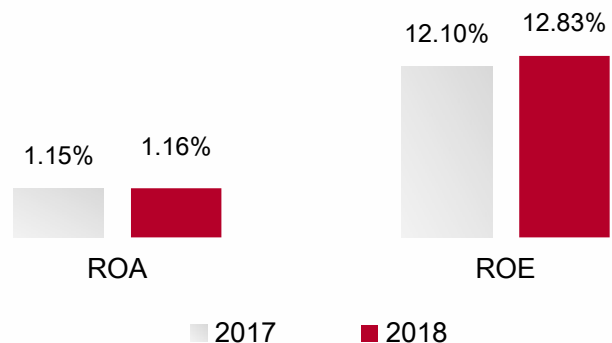
## Continued Growth in Profit Attributable to Equity Holders



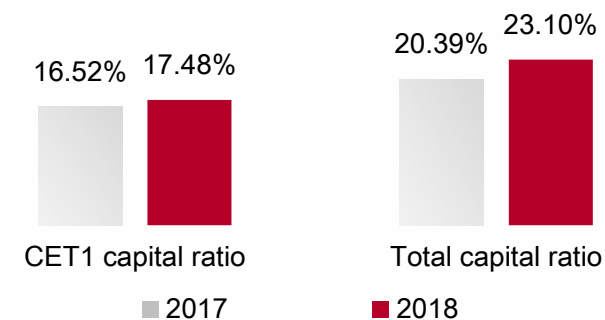
## Solid Growth in Assets and Liabilities



## Steady Rise in ROA and ROE



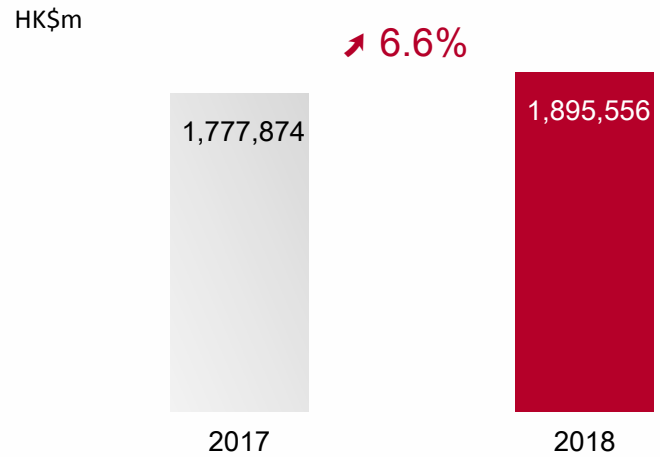
## Sufficient Capital Adequacy



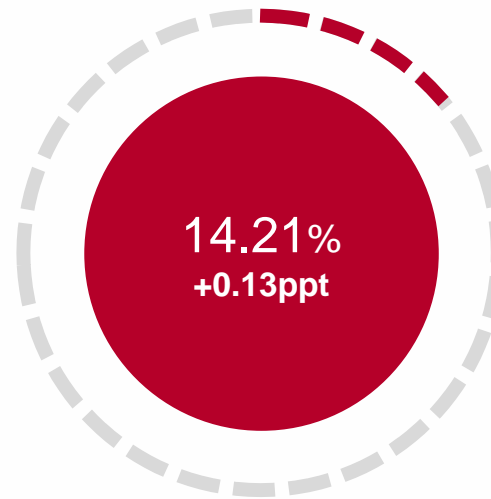


# Steady Growth in Customer Deposits

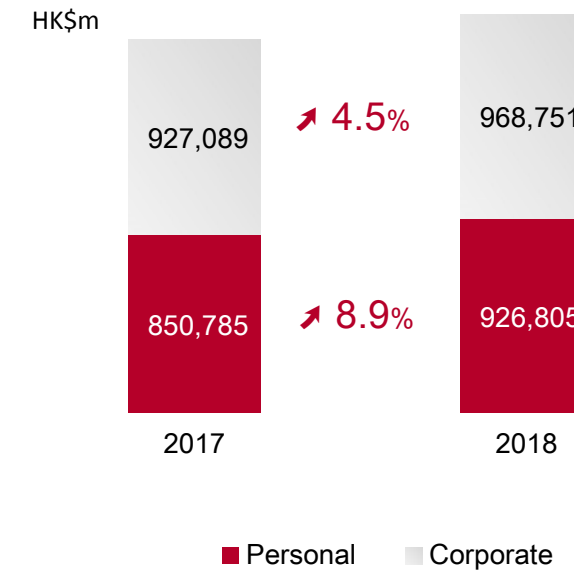
Customer Deposits Grew by 6.6%



Further Gains in Market Share in HK

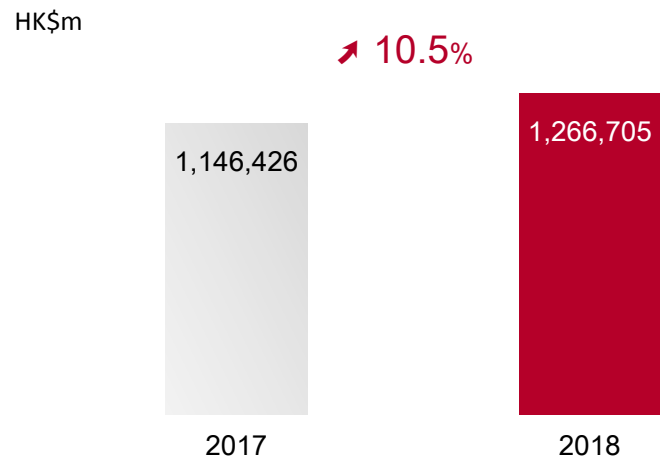


Optimised Deposit Structure

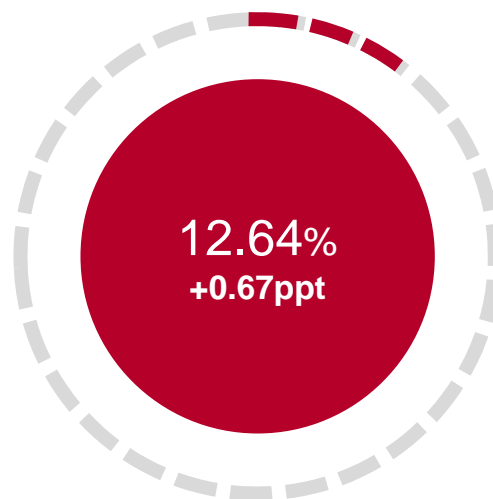


# Solid Growth in Customer Loans

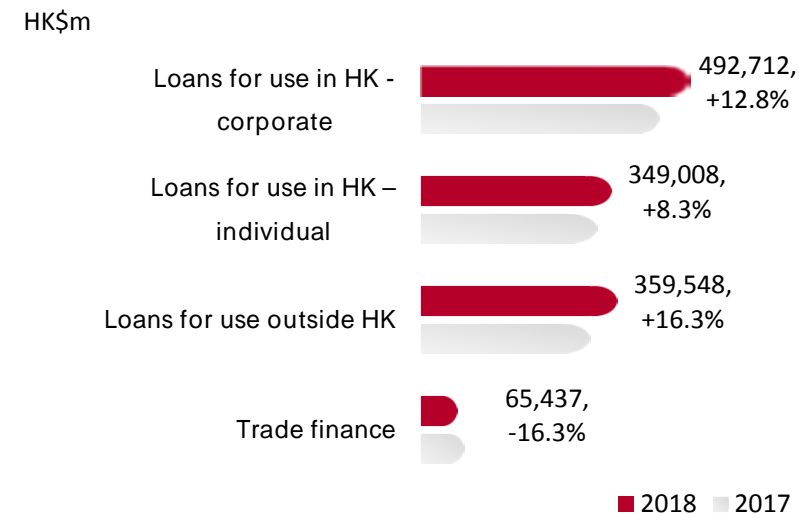
## Customer Loans Increased by 10.5%



## Enlarged Loan Market Share in HK

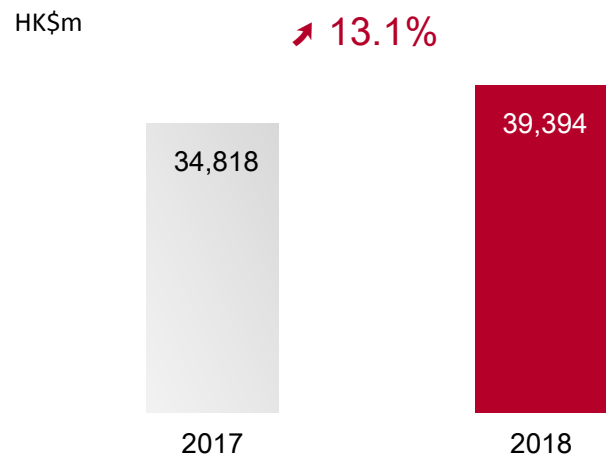


## Balanced Customer Loan Portfolio

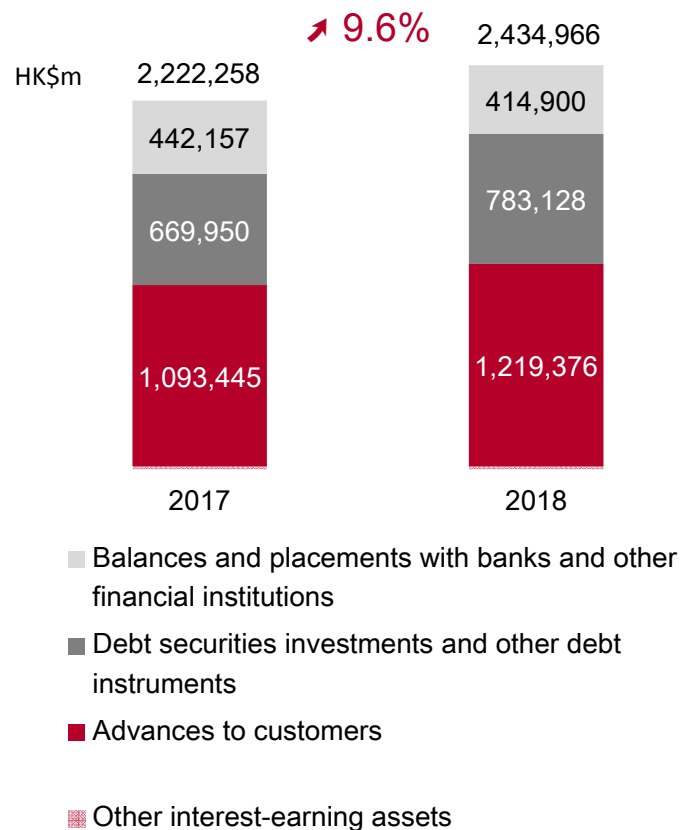


# Stable Margin Improvement

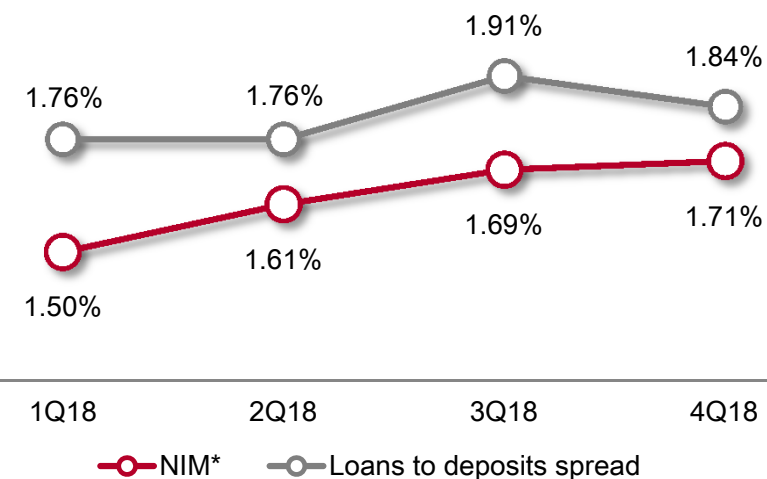
## Rapid Growth in Net Interest Income



## Expansion in Average Interest-earning Assets



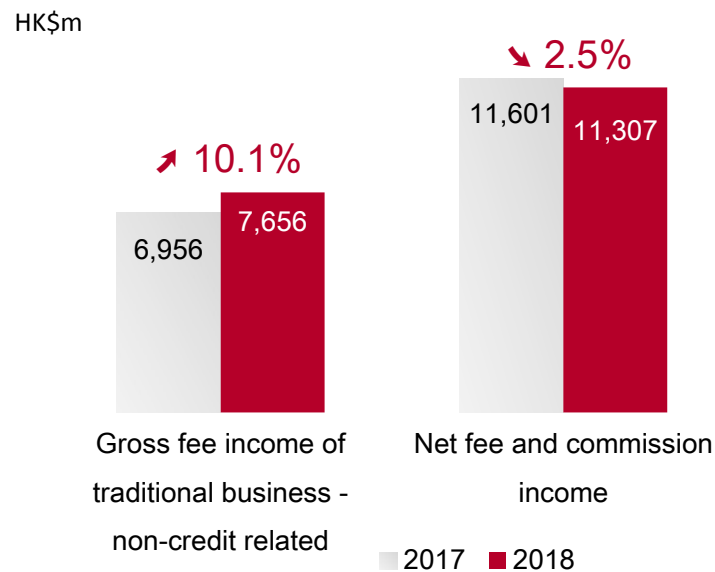
## Continued Enhancement of NIM\* and Loans to Deposits Spread



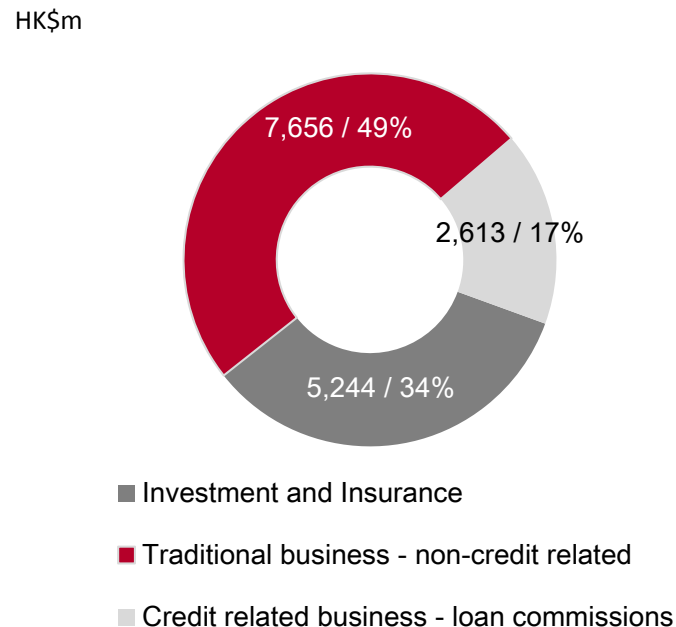
\*Included the funding income or cost of FX swap contracts

# Steady Growth in Fee Income of Traditional Business

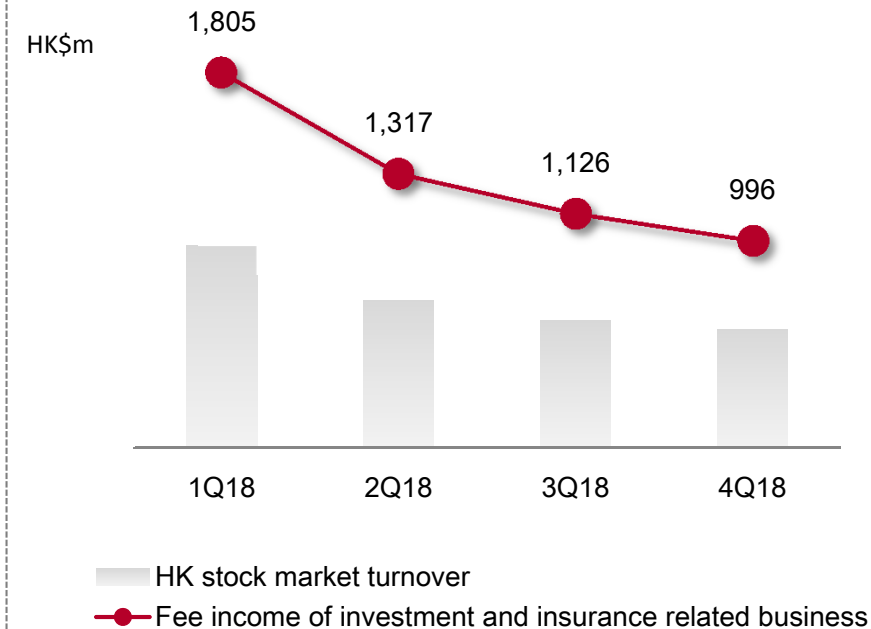
## Net Fee and Commission Income Analysis



## Composition of Fee and Commission Income

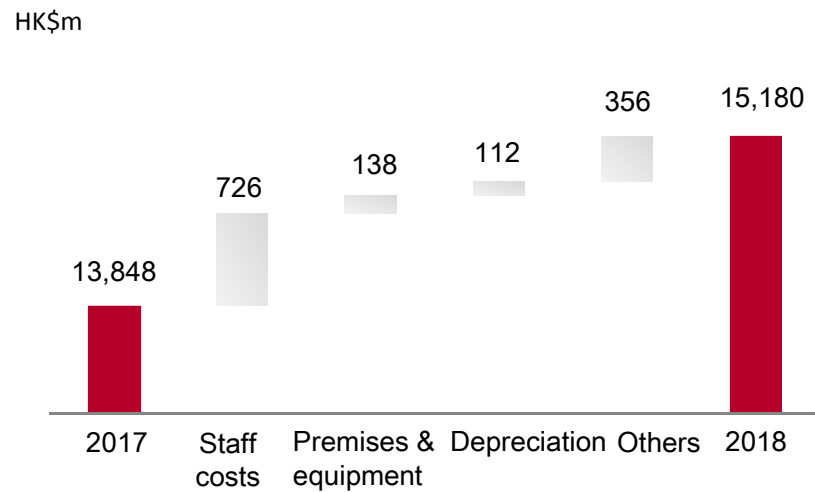


## Fee Income from Investment & Insurance Business

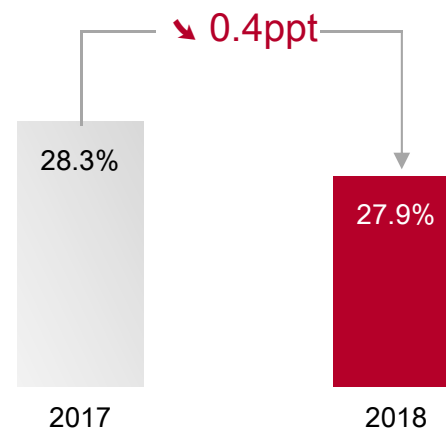


# Effective Cost Efficiency Control

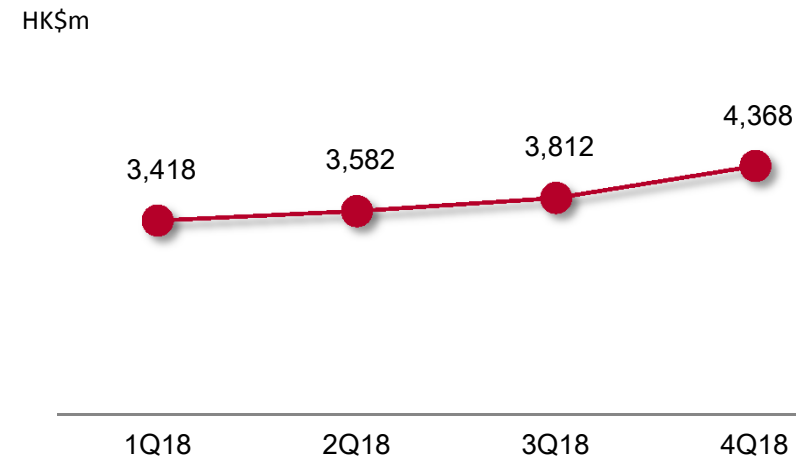
### Analysis of Expense Drivers



### Cost to Income Ratio at a Low Level

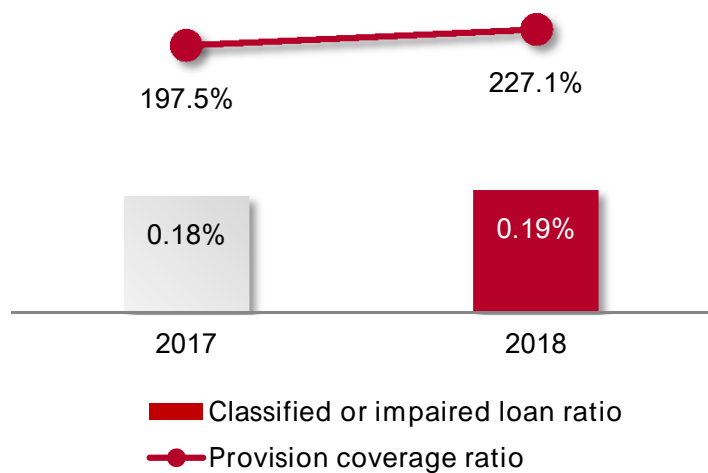


### Quarterly Trend of Operating Expenses



# Solid Performance in Risk Indicators

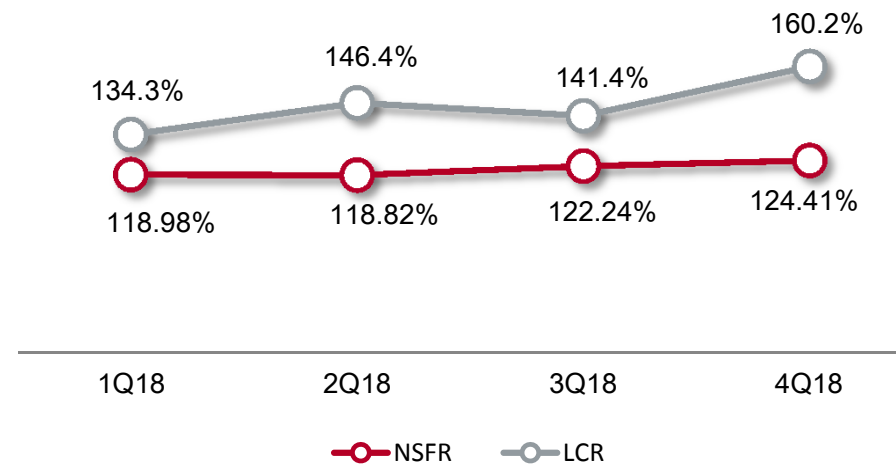
## Sound Asset Quality with Sufficient Provision



## Stable Credit Cost



## Adequate Liquidity





**2019**

*Outlook and Business Focus*

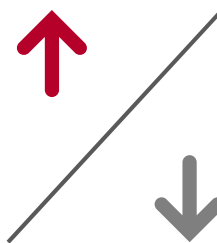


## Opportunities

- China's further opening-up
- Acceleration in Greater Bay Area development
- Potential of Hong Kong market
- Promising prospects for Southeast Asian market

## Challenges

- Slowing global GDP growth
- Increasing volatility of international financial markets
- Banking sector landscape impacted by fintech and intensified competition





# Strategic Priorities for 2019

## Strategic Goal

To build a Top-class, Full-service and Internationalised Regional Bank

- 1 Focusing efforts in three key markets**  
Hong Kong, the Greater Bay Area and Southeast Asia
- 2 Building capabilities in three strategic areas**  
Technology-led development capability, comprehensive global service capacity and regional development ability
- 3 Developing three-pronged strategic support**  
Bank culture, risk management and human resources





*Q&A Session*





*Appendix*



# Income Statement and Balance Sheet Summary

Income statement summary (HK\$m)	2018	2017	Change
Net interest income	39,394	34,818	13.1%
Net fee and commission income	11,307	11,601	-2.5%
Other non-interest income	3,710	2,587	43.4%
Net operating income before impairment allowances	54,411	49,006	11.0%
Operating expenses	(15,180)	(13,848)	9.6%
<b>PPOP</b>	<b>39,231</b>	<b>35,158</b>	<b>11.6%</b>
Net charge of impairment allowances	(1,237)	(1,055)	17.3%
<b>Profit attributable to equity holders (Continuing operations)</b>	<b>32,000</b>	<b>28,574</b>	<b>12.0%</b>
Balance sheet summary (HK\$m)	2018	2017	Change
<b>Total assets</b>	<b>2,952,903</b>	<b>2,651,086</b>	<b>11.4%</b>
Advances to customers	1,266,705	1,146,426	10.5%
<b>Total liabilities</b>	<b>2,667,996</b>	<b>2,402,463</b>	<b>11.1%</b>
Deposits from customers	1,895,556	1,777,874	6.6%
<b>Capital and reserves attributable to equity holders</b>	<b>257,070</b>	<b>244,018</b>	<b>5.3%</b>

# Average Balances and Average Interest Rates

	2018		2017	
	Average balance HK\$m	Average yield %	Average balance HK\$m	Average yield %
<b>Assets</b>				
Balances and placements with banks and other financial institutions	414,900	1.90%	442,157	2.17%
Debt securities investments and other debt instruments	783,128	2.39%	669,950	1.98%
Advances to customers	1,219,376	2.85%	1,093,445	2.38%
Other interest-earning assets	17,562	2.13%	16,706	1.29%
<b>Total interest-earning assets</b>	<b>2,434,966</b>	<b>2.54%</b>	<b>2,222,258</b>	<b>2.21%</b>
	Average balance HK\$m	Average rate %	Average balance HK\$m	Average rate %
<b>Liabilities</b>				
Deposits and balances from banks and other financial institutions	226,141	1.10%	226,067	0.92%
Current, savings and time deposits	1,724,063	1.03%	1,562,583	0.68%
Subordinated liabilities	18,237	5.44%	19,312	4.82%
Other interest-bearing liabilities	55,080	1.95%	47,781	1.41%
<b>Total interest-bearing liabilities</b>	<b>2,023,521</b>	<b>1.10%</b>	<b>1,855,743</b>	<b>0.77%</b>
Net interest margin		1.62%		1.57%
<b>Net interest margin (adjusted)*</b>		<b>1.63%</b>		<b>1.44%</b>

\*included the funding income or cost of FX swap contracts

# Fee and Commission Income

HK\$m	2018	2017	Change
<b>Investment and Insurance</b>	5,244	4,936	6.2%
Securities brokerage	2,769	2,625	5.5%
Funds distribution	929	985	-5.7%
Insurance	1,546	1,326	16.6%
<b>Traditional business - non-credit related</b>	7,656	6,956	10.1%
Credit cards	3,441	3,202	7.5%
Bills commissions	738	816	-9.6%
Payment services	679	649	4.6%
Trust and custody services	633	555	14.1%
Currency exchange	590	433	36.3%
Safe deposit box	285	291	-2.1%
Others	1,290	1,010	27.7%
<b>Credit related business - loan commissions</b>	2,613	3,608	-27.6%
<b>Fees and commission income</b>	15,513	15,500	0.1%
Fees and commission expenses	(4,206)	(3,899)	7.9%
<b>Net fee and commission income</b>	11,307	11,601	-2.5%

# Operating Expenses

HK\$m	2018	2017	Change
Staff costs	8,627	7,901	9.2%
Premises & equipment expenses	1,859	1,721	8.0%
Depreciation	2,063	1,951	5.7%
Others	2,631	2,275	15.6%
<b>Total operating expenses</b>	<b>15,180</b>	<b>13,848</b>	<b>9.6%</b>
Full-time staff headcount	14,046	13,212	6.3%

# Customer Deposits

HK\$m	2018	2017	Change
Demand deposits and current accounts	207,797	203,837	1.9%
Saving deposits	852,339	913,192	-6.7%
Time, call and notice deposits	833,221	658,061	26.6%
Structured deposits	2,199	2,784	-21.0%
<b>Total deposits from customers</b>	<b>1,895,556</b>	<b>1,777,874</b>	<b>6.6%</b>



# Gross Advances to Customers

HK\$m	2018	2017	Change
<b>Loans for use in Hong Kong - corporate</b>	<b>492,712</b>	436,754	12.8%
Property development	126,328	99,987	26.3%
Property investment	50,223	53,581	-6.3%
Financial concerns	21,239	13,461	57.8%
Stockbrokers	1,171	1,027	14.0%
Wholesale and retail trade	38,147	34,931	9.2%
Manufacturing	51,093	45,075	13.4%
Transport and transport equipment	66,256	61,786	7.2%
Recreational activities	1,675	2,040	-17.9%
Information technology	18,006	23,900	-24.7%
Others	118,574	100,966	17.4%
<b>Loans for use in Hong Kong – individual</b>	<b>349,008</b>	322,284	8.3%
Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	11,150	9,874	12.9%
Residential mortgages	243,963	234,434	4.1%
Credit card advances	15,613	14,620	6.8%
Others	78,282	63,356	23.6%
<b>Trade finance</b>	<b>65,437</b>	78,196	-16.3%
<b>Loans for use outside HK</b>	<b>359,548</b>	309,192	16.3%
<b>Gross advances to customers</b>	<b>1,266,705</b>	1,146,426	10.5%

# Gross Advances and Other Accounts by Internal Credit Grade and Stage Classification

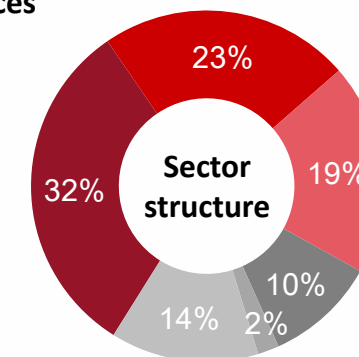
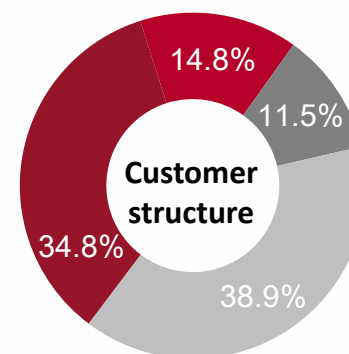
HK\$m	2018				2017
	Stage 1	Stage 2	Stage 3	Total	
<b>Advances to customers</b>					
Pass	1,254,236	5,019	-	1,259,255	1,140,711
Special mention	1,934	3,133	-	5,067	3,636
Substandard or below	-	-	2,383	2,383	2,079
	<b>1,256,170</b>	<b>8,152</b>	<b>2,383</b>	<b>1,266,705</b>	1,146,426
<b>Trade bills</b>					
Pass	17,357	-	-	17,357	42,975
Special mention	-	-	-	-	-
Substandard or below	-	-	4	4	-
	<b>17,357</b>	-	<b>4</b>	<b>17,361</b>	42,975
<b>Advances to banks and other financial institutions</b>					
Pass	3,822	-	-	3,822	6,259
Special mention	-	-	-	-	-
Substandard or below	-	-	-	-	-
	<b>3,822</b>	-	-	<b>3,822</b>	6,259
<b>Gross advances and other accounts</b>	<b>1,277,349</b>	<b>8,152</b>	<b>2,387</b>	<b>1,287,888</b>	<b>1,195,660</b>
Impairment allowances	(3,740)	(546)	(1,130)	(5,416)	(4,106)
<b>Advances and other accounts</b>	<b>1,273,609</b>	<b>7,606</b>	<b>1,257</b>	<b>1,282,472</b>	<b>1,191,554</b>

# Non-bank Mainland Exposures

HK\$m	On-balance sheet exposure				Off-balance sheet exposure	Total exposure
	Total loans and advances	O/W: for use in Chinese Mainland	Debt securities and others	Subtotal		
Central government, central government-owned entities and their subsidiaries and joint ventures	242,022	61,518	50,660	292,682	37,793	330,475
Local governments, local government-owned entities and their subsidiaries and joint ventures	57,249	26,141	3,257	60,506	13,060	73,566
PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	87,690	20,418	5,596	93,286	18,961	112,247
Others	100,262	68,746	583	100,846	9,686	110,532
<b>Total</b>	<b>487,223</b>	<b>176,822</b>	<b>60,097</b>	<b>547,320</b>	<b>79,500</b>	<b>626,820</b>

- With reference to the completion instructions for the HKMA return of Mainland activities (note 54 of Notes to the Financial Statements), as of 31 December 2018, The total on-balance sheet non-bank Mainland exposure was HK\$547.3bn, up HK\$40.4bn or 8.0% YoY.
- Of which, total loans and advances was HK\$487.2bn, up HK\$49.6bn or 11.3% YoY. Asset quality was stable with NPL ratio of 0.12%.

Analysis of the loans and advances for use in Chinese Mainland



- Central government, central government-owned entities and their subsidiaries and joint ventures
- Local governments, local government-owned entities and their subsidiaries and joint ventures
- PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures
- Others

- Property development & investment
- Electricity and gas
- Manufacturing
- Transport and transport equipment
- Wholesale and retail trade
- Others